

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**



AUDIT SUMMARY

Our audit of the Southwest Virginia Higher Education Center for the year ended June 30, 2007, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in the University of Virginia's accounting system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance or other matters with applicable laws and regulations.

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AGENCY HIGHLIGHTS

The Southwest Virginia Higher Education Center seeks to strengthen the economy of southwest Virginia through education and training of the workforce. The Center's primary mission is to encourage the expansion of higher education, including adult and continuing education, associate, undergraduate, and graduate degree programs in Southwest Virginia; and foster partnerships between the public and private sectors to enhance higher education in the region. The Center also coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region in coordination with the State Council of Higher Education for Virginia.

The Center has ten academic partners:

| | |
|----------------------------------|---|
| Emory & Henry College | University of Virginia's College at Wise |
| Old Dominion University | Virginia Highlands Community College |
| Radford University | Virginia Intermont College |
| University of Virginia | Virginia Polytechnic Institute and State University |
| Virginia Commonwealth University | University of Richmond |

In addition to promoting economic development and growth through education in southwest Virginia, the Center leases out rooms during the year. Special events include training, meetings, trade shows, banquets, interviews, and seminars.

The Center offers more than 65 undergraduate and graduate degree programs through its relationship with its academic partners. Registrations for the 2006-2007 academic year increased five percent over the previous year. The increase is consistent with the 2005-2006 over the 2004-2005 academic year.

Total Enrollment / Class Registrations

| <u>Academic Year</u> | <u>Fall</u> | <u>Spring</u> |
|----------------------|-------------|---------------|
| 2003 - 2004 | 1,112 | 1,251 |
| 2004 - 2005 | 1,177 | 1,169 |
| 2005 - 2006 | 1,167 | 1,327 |
| 2006 - 2007 | 1,163 | 1,462 |

The Center administers the Southwest Burley Scholarship Program and the Southside Virginia Tobacco Teacher Scholarship and Loan Program funded by the Virginia Tobacco Indemnification and Community Revitalization Commission.

Revenues and expenses of the Center for the year ended June 30, 2007, are shown in the following table:

Revenues and Expenses for the Year Ended June 30, 2007

| | |
|---|--------------------|
| Revenues: | |
| State operating appropriations | \$1,981,789 |
| State and local grants and contracts | 3,313,152 |
| Sales and services of educational departments | 480,934 |
| Other revenues | <u>273,979</u> |
| Total revenues | <u>\$6,049,854</u> |
| Expenses: | |
| Compensation and benefits | \$1,079,571 |
| Supplies and services | 1,167,334 |
| Student aid | 3,259,264 |
| Utilities | 197,823 |
| Depreciation | 375,245 |
| Other | <u>3,700</u> |
| Total expenses | <u>\$6,082,937</u> |

On the accrual basis of accounting, the Center's expenses exceed its revenues as a result of the recording of asset depreciation. The above table does not include capital appropriations of \$383,279 and construction expenses since these amounts will become part of the value of capital assets at the Center.

The Center had a \$366,000 increase (22 percent) in state operating appropriations for fiscal year 2007 to support increased enrollments and operating costs for the Center. The Center received an additional \$809,000 during the year from the Virginia Tobacco Commission to support scholarships for students from Southside and Southwest Virginia.

Capital Assets for the Year Ended June 30, 2007

| | |
|------------------------------------|---------------------|
| Capital assets at historical cost: | |
| Buildings | \$10,679,262 |
| Equipment | 1,255,256 |
| Construction in progress | <u>57,022</u> |
| Total gross capital assets | <u>11,991,540</u> |
| Less accumulated depreciation: | |
| Buildings | 2,153,651 |
| Equipment | <u>641,336</u> |
| Total accumulated depreciation | <u>2,794,987</u> |
| Net capital assets | <u>\$ 9,196,553</u> |



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

March 31, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year ended June 30, 2007. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of the Center's financial transactions on the Commonwealth Accounting and Reporting System and on the University of Virginia's accounting system, review the adequacy of the Center's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Center's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center's controls were adequate, had been placed in operation, and were being followed. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues
Expenses

Our audit also included tests of compliance with provisions of applicable laws and regulations. We tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We tested transactions and performed analytical procedures, including trend analyses.

Conclusions

We found that financial information for the Center was properly stated, in all material respects, by the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the University of Virginia's financial accounting system. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the University of Virginia's financial accounting system and the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on March 31, 2008. This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JHS/wdh

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER
BOARD OF TRUSTEES
As of June 30, 2007

LEGISLATIVE MEMBERS

Senator Phillip P. Puckett, Chair
38th District

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4th District

Senator William C. Wampler, Jr.
40th District

Delegate Terry G. Kilgore
1st District

Delegate Charles W. Carrico, Sr.
5th District

Delegate David A. Nutter
7th District

CITIZEN MEMBERS

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Abingdon, Virginia

Sean McMurray
Abingdon, Virginia

Suzanne Ellis
Marion, Virginia

Terry Mullins
N. Tazewell, Virginia

Christopher Robinson
Bristol, Virginia

Lorraine Turner
Lebanon, Virginia

Rex McCarty
Gate City, Virginia

HIGHER EDUCATION MEMBERS

Rosalind Reichard, President
Emory & Henry College

David J. Prior, Chancellor
University of Virginia's College at Wise

Roseann Runte, President
Old Dominion University

Marcia Gilliam, Chancellor Appointed
Virginia Community College System

Penelope W. Kyle, President
Radford University

David Wilkin, President
Virginia Highlands Community College

Daniel LaVista, Director
State Council of Higher Education

Michael Puglisi, President
Virginia Intermont College

Lynda Phillips-Madson, Associate Dean
University of Virginia

Charles Steger, President
Virginia Tech

EXECUTIVE DIRECTOR

Rachel D. Fowlkes